

## Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02

STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 NSC-05

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R 181855Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9084

INFO ALL EC CAPITALS 785

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

C O N F I D E N T I A L EC BRUSSELS 05470

E.O. 11652: ADS: DECLASSIFY JANUARY 1, 1978

TAGS: EFIN, EEC

SUBJECT: FINANCE COUNCIL AUTHORIZES FURTHER NEGOTIATIONS ON AN EC  
BORROWING FROM OPEC COUNTRIES

REFS: A) EC BRUSSELS 5415 (NOTAL)

B) ROME 8667 (NOTAL)

C) EC BRUSSELS 5218

D) EC BRUSSELS 3830 (NOTAL)

1. SUMMARY: TWO EC MEMBER STATES HAVE NOW REQUESTED  
LOANS FROM THE EC COMMON BORROWING FACILITY. THE COMMISSION  
PLANS TO CONTINUE ITS EFFORTS TO NEGOTIATE A BORROWING  
AMOUNTING UP TO \$1 BILLION FROM OPEC COUNTRIES. A COM-  
MISSION DELEGATION WILL VISIT KUWAIT ON JUNE 21-22. END  
SUMMARY.

2. THE EC FINANCE MINISTERS AUTHORIZED THE COMMISSION TO  
UNDERTAKE FORMAL NEGOTIATIONS TO BORROW UP TO \$1 BILLION  
FROM OPEC COUNTRIES AT THEIR JUNE 16 LUNCHEON. (THE  
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COMMISSION'S PREVIOUS CONTACTS WITH VENEZUELA AND

SAUDI ARABIA WERE CONSIDERED BY THE COUNCIL TO BE JUST INFORMAL SOUNDINGS.) IRELAND AND ITALY INDICATED THAT THEY WANTED TO MAKE A BORROWING UNDER THE EC COMMON BORROWING FACILITY. IRELAND INDICATED ITS INTEREST IN A LOAN OF ABOUT \$200 MILLION; ITALY IS AWAITING AN INDICATION OF HOW MUCH IS AVAILABLE BEFORE SPECIFYING THE AMOUNT IT WOULD LIKE. THE COMMISSION EXPECTS TO RECEIVE LETTERS OF APPLICATION THIS WEEK FORMALLY STATING THE IRISH AND ITALIAN INTENTIONS TO BORROW FROM THE FACILITY. THE UK AND DENMARK CONTINUE TO EXPRESS INTEREST IN A POSSIBLE BORROWING AT A LATER DATE BUT WANT TO SEE HOW THE INITIAL COMMUNITY BORROWING OPERATION WORKS OUT BEFORE COMMITTING THEMSELVES. COMMISSION OFFICIALS BELIEVE THAT THE UK MAY REQUEST A BORROWING BEFORE THE YEAR IS OUT, IF THE TERMS ARE FAVORABLE.

3. NOW THAT IT HAS THE AUTHORITY TO BEGIN SERIOUS NEGOTIATIONS, THE COMMISSION PLANS TO SEND A DELEGATION HEADED BY VICE PRESIDENT HAFERKAMP TO KUWAIT. THE DELEGATION PLANS TO BE IN KUWAIT ON JUNE 21-22. DIRECTOR FOR MONETARY AFFAIRS, JOHN NASH, AND HAFERKAMP'S OFFICE CHIEF FRANZ FROSCHMAIER, WILL BE IN THE DELEGATION.

4. COMMISSION OFFICIALS SAY THAT THE VENEZUELAN OFFER OF LOANS TALLING ABOUT \$500 MILLION HAS BEEN SCALED DOWN. (SEE REF D). THE GOV NOW IS TALKING IN TERMS OF A LOAN OF ABOUT \$200 MILLION, SOME OF WHICH THE EUROPEAN INVESTMENT BANK MAY BORROW. THUS, IN ORDER TO REACH \$1 BILLION, THE EC WOULD LIKE TO BORROW \$500-700 MILLION FROM SAUDI ARABIA, \$200-300 MILLION FROM KUWAIT AND THE BALANCE FROM VENEZUELA AND POSSIBLY OTHER OPEC COUNTRIES.

5. COMMISSION OFFICIALS PLAN TO DRAW UP THE SPECIFIC ECONOMIC POLICY CONDITIONS TO BE FULFILLED BY THE RECIPIENT COUNTRIES IN ORDER TO BRING THEIR BALANCE OF PAYMENTS POSITION INTO EQUILIBRIUM. THIS SHOULD PRESENT NO DIFFICULTIES FOR ITALY BECAUSE THE EC HAS CONFIDENTIAL

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ALREADY DRAWN UP SUCH CONDITIONS UNDER THE EC MEDIUM CREDIT TO ITALY. THE COMMISSION PLANS TO UNDERTAKE AN ASSESSMENT OF THE IRISH ECONOMY IN ORDER TO DETERMINE CONDITIONS SUCH AS CREDIT CEILINGS AND LIMITS ON PUBLIC EXPENDITURES AND THE BUDGETARY DEFICIT. COMMISSION OFFICIALS BELIEVE IT WILL TAKE SEVERAL MONTHS BEFORE THE NEGOTIATIONS WITH POTENTIAL CREDITORS ARE COMPLETED AND THE COUNCIL AGREES TO THE BORROWING

TERMS, INCLUDING THE PROPOSED ECONOMIC POLICY CONDITIONS. IT MAY BE OCTOBER BEFORE A BORROWING IS ACTUALLY MADE. NEVERTHELESS, COMMISSION OFFICIALS ARE OPTIMISTIC THAT THE BORROWING FACILITY WILL BE PUT INTO OPERATION.

6. COMMENT: THIS OPTIMISM MAY BE PREMATURE BECAUSE THERE ARE STILL A NUMBER OF HURDLES TO BE CLEARED. THE FRG, FOR EXAMPLE, HAS RESERVATIONS ABOUT USING THE FACILITY UNTIL EC BORROWERS HAVE FIRST USED OTHER SOURCES, SUCH AS THE IMF OIL FACILITY. THE FRG ALSO WANTS TO SCRUTINIZE THE ECONOMIC POLICY CONDITIONS TO ENSURE THAT THE APPLICANT FACES BALANCE OF PAYMENTS DIFFICULTIES AND IS CREDITWORTHY. IN ADDITION, THE EC STILL NEEDS TO DETERMINE THE TERMS OF A BORROWING. IF THE TERMS ARE NOT ATTRACTIVE, MEMBER STATE INTEREST MAY DRY UP. END COMMENT. GREENWALD

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## Message Attributes

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